

## Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-08 ARA-06 EA-07 EUR-12 NEA-10  
IO-13 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00  
FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00  
NSC-05 PA-01 AID-05 SS-15 STR-04 ITC-01 TRSE-00  
USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 XMB-02 OPIC-03  
OIC-02 /137 W

-----181942Z 117998 /43

R 171853Z MAR 76  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 1742  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
AMEMBASSY STOCKHOLM  
USMISSION EC BRUSSELS  
USMISSION GENEVA  
USMISSION OECD PARIS  
AMEMBASSY PRETORIA  
AMEMBASSY SAN JOSE  
AMEMBASSY CANBERRA  
AMEMBASSY BRASILIA  
AMCONSUL RIO DE JANEIRO  
AMEMBASSY OTTAWA  
AMEMBASSY BUENOS AIRES  
AMEMBASSY PORT LOUIS  
AMEMBASSY GEORGETOWN  
AMEMBASSY MOSCOW  
AMEMBASSY GUATEMALA  
AMEMBASSY TOKYO  
AMEMBASSY SAN SALVADOR  
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AMEMBASSY SUVA  
AMEMBASSY MANILA  
AMEMBASSY PORT OF SPAIN  
AMEMBASSY KINGSTON  
AMEMBASSY MBABANE  
AMEMBASSY SANTO DOMINGO

AMEMBASSY MEXICO  
AMEMBASSY MOSCOW

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FOR: EB/TRP -- MR. PILKAUSKAS

E.O. 11652: N/A

TAGS: EPAP

SUBJECT: INFORMAL MEETING ON SUGAR

1. INTERNATIONAL SUGAR ORGANIZATION (ISO) EXECUTIVE DIRECTOR, ERNEST JONES-PARRY, ON MARCH 16 INVITED A SELECTED GROUP OF ISO MEMBERS FOR AN INFORMAL EXCHANGE OF VIEWS WITH ASSISTANT SECRETARY OF STATE KATZ. TOPICS DISCUSSED INCLUDED THE FORTHCOMING SUGAR NEGOTIATIONS AND RECENT DEVELOPMENTS CONCERNING U.S. SUGAR POLICY. LONDON REPS FROM ARGENTINA, AUSTRALIA, BRAZIL, CUBA, GUATEMALA, MAURITIUS, TRINIDAD & TOBAGO, CANADA, JAPAN, PHILIPPINES, USSR, SWEDEN, GDR AND USA ATTENDED.

2. MAJOR TOPICS DISCUSSED WERE:

A) ITC FINDINGS AND RECOMMENDATIONS. CONSIDERABLE INTEREST WAS EXPRESSED IN THE ITC REPORT, WITH PARTICULAR EMPHASIS ON PRESIDENTIAL POWERS IN LIGHT OF ITC RECOMMENDATIONS AND THE RELATIONSHIP OF DOMESTIC U.S. POLICY TO INTERNATIONAL SUGAR AGREEMENT (ISA) MATTERS. KATZ EXPLAINED THE LEGAL STATUS OF THE ITC RECOMMENDATIONS, INCLUDING THE VARIOUS OPTIONS AT THE PRESIDENT'S DISPOSAL. HE NOTED THAT LIMITED OFFICIAL USE

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THE ITC'S RECOMMENDATIONS WOULD BE CONSIDERED IN CONNECTION WITH A POSSIBLE INTERIM DOMESTIC PROGRAM AND DO NOT NECESSARILY CONFLICT WITH A U.S. INTEREST IN A NEW ISA.

B) U.S. INTEREST IN THE NEGOTIATIONS IN GENEVA BEGINNING APRIL 18. KATZ STATED THAT THE U.S. HAD A SERIOUS INTEREST IN THE GENEVA NEGOTIATIONS. HE EXPLAINED THE RELATIONSHIP BETWEEN DOMESTIC SUGAR POLICY AND INTERNATIONAL POLICY AND NOTED A CONSENSUS WITHIN THE USG IN FAVOR OF AN EFFORT TO NEGOTIATE AN ACCEPTABLE ISA. KATZ EMPHASIZED IN THIS CONNECTION THE KEY IMPORTANCE OF CONSULTATIONS WITH CONGRESS BETWEEN NOW AND APRIL IN DEVELOPING A U.S. NEGOTIATING POSITION FOR GENEVA.

C) EFFECT OF COFFEE DEVELOPMENTS ON SUGAR NEGOTIATIONS. EXPANDING ON THE IMPORTANCE OF CONSULTATION WITH

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FOR: EB/TRP

CONGRESS, KATZ POINTED OUT THAT HIGH COFFEE PRICES HAD HAD AN UNFAVORABLE IMPACT ON CONGRESS, LEADING MANY CONGRESSMEN TO QUESTION THE EFFICIENCY OF COMMODITY AGREEMENTS AS A DEVICE FOR PROTECTING THE CONSUMER. THE POSSIBILITY THAT THIS MIGHT COLOR CONGRESSIONAL VIEWS REGARDING THE SUGAR NEGOTIATIONS COULD NOT BE DISCOUNTED.

D) STATE OF U.S. THINKING ON A NEW ISA. KATZ SAID THAT WE HAVE NOT YET COMPLETED WORK ON OUR POSITION BUT OUR THINKING HAS TENDED ALONG LINES OF SEEKING AN AGREEMENT WHICH WOULD COMBINE STOCKS WITH QUOTA PROVISIONS. THE AGREEMENT SHOULD PROVIDE A FAIRLY BROAD PRICE RANGE, WITH A WIDE SPECTRUM FOR THE MARKET TO OPERATE FREELY. STOCKS COULD HELP TO DEFEND BOTH THE CEILING AND FLOOR. ASKED WHETHER US THINKING ENVISAGED SOME INTERNATIONAL FINANCING FORMULA FOR STOCK HOLDING, KATZ REPLIED THAT THIS WAS "A MATTER TO BE DISCUSSED'.. KATZ EMPHASIZED THAT OUR THINKING WAS CONDITIONED BY 18 MONTHS OF DISCUSSION IN THE ISO AND THAT THE U.S. WAS UNLIKELY TO PRESENT A COMPLETE, RADICALLY DIFFERENT PACKAGE AT GENEVA. WE WOULD, OF COURSE, HAVE VIEWS ON THE KEY ISSUES

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BUT WE WERE NOT LIKELY TO PRESENT A "U.S. PLAN". THIS APPROACH WAS GREETED BY RELIEF AND APPRECIATION BY SEVERAL REPRESENTATIVES WHO FEARED THE U.S. MIGHT APPEAR WITH A RADICALLY NEW APPROACH.

E) PRICE LEVELS. KATZ DECLINED TO BE DRAWN OUT ON SPECIFIC PRICE LEVELS AND U.S. VIEWS OF THE SIZE OF PRICE RANGE. HE DID, HOWEVER, DISCUSS IN SOME DETAIL THE IMPACT OF HIGH FRUCTOSE CORN SWEETENERS (HFCS) ON THE MARKET AND THE FACT THAT PRICE RANGES HAD TO BE SET WITH SUBSTITUTION CONSIDERATIONS VERY MUCH IN

MIND.

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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22 May 2009  
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